Northern Pipeline Agency

2014–15

Departmental Performance Report

The Honourable Jim Carr, P.C., M.P.
Minister of Natural Resources Canada

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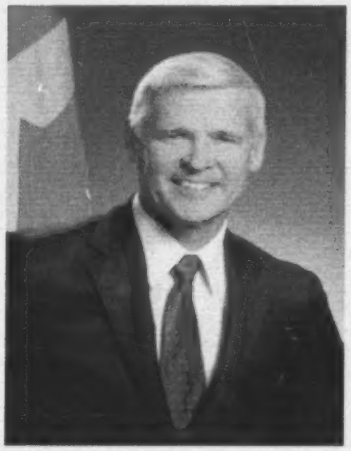
Commissioner's Message



It is my pleasure to present the *2014-15 Departmental Performance Report* for the Northern Pipeline Agency (the Agency).

The Agency was established by the *Northern Pipeline Act* (Act) in 1978 to facilitate the planning and construction by Foothills Pipe Lines Limited (Foothills) of the Canadian portion of the Alaska Highway Gas Pipeline (AHGP) project and to maximize social and economic benefits from its construction and operation while minimizing any adverse effects. The pipeline was certificated in 1978 under the Act to transport Alaskan and possibly northern Canadian natural gas to southern markets in Canada and the United States as provided for by the *Canada-U.S. Agreement on Principles Applicable to a Northern Natural Gas Pipeline*. The southern portion of the pipeline was constructed in the early 1980s and presently transports Canadian gas. Foothills is now owned by TransCanada PipeLines Limited (TransCanada).

In 2008, TransCanada was selected by the State of Alaska to pursue a large-scale pipeline project that would transport natural gas in a large diameter buried pipeline from Prudhoe Bay, Alaska to Boundary Lake, Alberta. This required the Agency to be more active and initiate consultations with various project stakeholders; however, TransCanada notified the Agency in February 2013 that no further work is planned on the AHGP for now, and of their intentions to maintain the AHGP assets in Canada.

To align with the reduction in the AHGP project activities for the foreseeable future, the Agency has scaled down its operations while continuing to fulfill Canada's obligations as set out in the Act. During this time, the Agency will remain ready to respond to any incoming inquiries from other government agencies, Aboriginal groups and the public.

Bob Hamilton,
Commissioner

Section I: Organizational Expenditure Overview

Organizational Profile

Minister: The Honourable Jim Carr, P.C., M.P.

Deputy Head: Bob Hamilton

Ministerial Portfolio: Natural Resources Canada

Enabling Instrument: *Northern Pipeline Act* (R.S.C., 1977-78, c.20, s.1)

Year of Commencement: 1978

Other: The operating costs of the Agency are fully recovered from the project proponent.

Organizational Context

Raison d'être

The Agency was established by the *Northern Pipeline Act* [i] in 1978 and, in the context of the 1977 *Agreement Between Canada and the United States of America on Principles Applicable to a Northern Natural Gas Pipeline* [i], has a mandate to carry out federal responsibilities in respect of the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline (AHGP). The Agency plays a key role in supporting efficient and expeditious regulatory approval while ensuring environmental protection and social and economic benefits for Canada.

Responsibilities

Under the Act, the Agency can be called upon to undertake a number of activities:

- Facilitate the efficient and expeditious planning and construction of the pipeline, taking into account local and regional interests, the interests of the residents, particularly of Aboriginal people, and recognizing the responsibilities of the Government of Canada and other governments, as appropriate, to ensure that any native claim related to the land on which the pipeline is to be situated is dealt with in a just and equitable manner;
- Facilitate, in relation to the pipeline, consultation and coordination with the governments of the provinces, the Yukon Territory, and the Northwest Territories;

- Maximize the social and economic benefits from the construction and operation of the pipeline while at the same time minimizing any adverse effect on the social and environmental conditions of the areas most directly affected by the pipeline; and
- Advance national economic and energy interests and maximize related industrial benefits.

Phase I of the AHGP (the Prebuild) was constructed in 1981-82 for the initial purpose of transporting gas sourced from Western Canada to the United States (U.S.). The current flow capacity of the Prebuild is approximately 3.3 billion cubic feet per day (Bcf/d).

Phase II of the AHGP would link the Prebuild with U.S. natural gas reserves at Prudhoe Bay in Alaska. Unfavourable economic conditions from 1982 to the beginning of the last decade led to indefinite delays in the completion of the AHGP and a prolonged period of low activity for the Agency. In 2008, TransCanada was selected by the State of Alaska under the *Alaska Gasline Inducement Act* to receive up to $500 (USD) million in State assistance to pursue an Alaska gas pipeline. This large-scale project would transport 4.5 to 5.9 Bcf/d of natural gas in a buried large diameter, high-pressure, 2,762 km long pipeline from Prudhoe Bay, Alaska to markets in Canada and the lower 48 states. Project costs were estimated at $32-41 billion (2009 USD) by TransCanada.

On March 30, 2012, ExxonMobil, ConocoPhillips, BP and TransCanada announced that they were working together on a plan to assess liquefied natural gas (LNG) exports from south-central Alaska as an alternative to a natural gas pipeline through Canada. In February 2013, TransCanada notified the Agency that no further work is planned on the AHGP for now, and of their intentions to maintain the AHGP assets in Canada. On January 15, 2014, the Governor of Alaska announced that the State had signed an agreement with the major North Slope gas producers and TransCanada outlining a roadmap for the proposed all-Alaska LNG export project studies to proceed. The State and TransCanada agreed to terminate the existing licensing and funding agreement they signed in 2008 and have signed a new memorandum of understanding setting out TransCanada's role in the midstream portion of the LNG export project.

To align with the reduction in the AHGP project activities, the Agency began scaling down its operations in 2012-13 while continuing to fulfill Canada's obligations as set out in the Act. During this time of reduced activities for the foreseeable future, the Agency will remain prepared to meet its ongoing obligations and to respond to any incoming public inquiries from other government agencies, Aboriginal groups and the public. The future of the AHGP continues to rest with its proponents and the commercial marketplace.

Strategic Outcome(s) and Program Alignment Architecture

The Agency has a single strategic outcome and a single program activity. Both are aligned with the Government of Canada's Strong Economic Growth outcome and Responsible Resource Development initiative.

Strategic Outcome:

The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.

Program:

Oversee the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.

Internal Services

Organizational Priorities

Organizational Priorities

Priority	Type[1]	Strategic Outcome(s) [and/or] Program(s)
Effectively administer the *Act* and maintain the state of federal readiness to effectively respond to regulatory filings.	Ongoing	Oversee the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.
Summary of Progress		
What progress has been made toward this priority? Although the project is not being pursued by TransCanada at this time, the Agency maintained a core level of resources to carry out the necessary responsibilities as mandated under the Act and to maintain the progress achieved on developing a regulatory framework should the project proceed at a future point. In alignment with the reduction in the AHGP project activities for the foreseeable future, the NPA		

1. Type is defined as follows: previously committed to—committed to in the first or second fiscal year prior to the subject year of the report; ongoing—committed to at least three fiscal years prior to the subject year of the report; and new—newly committed to in the reporting year of the RPP or DPR. If another type that is specific to the department is introduced, an explanation of its meaning must be provided.

maintained dialogue as needed throughout the year with key stakeholders, including TCPL, other government agencies, and Aboriginal groups.

Risk Analysis

Key Risks

Risk	Risk Response Strategy	Link to Program Alignment Architecture
The Agency needs to be able to manage its existing core responsibilities and be in a position to adjust should the proponent receive a clear positive response from the marketplace, and this project is resumed.	The Agency will continue to maintain a minimum core team to fulfil existing responsibilities until such time as TransCanada resumes the project or that Agency actions or decisions are needed.	Oversee the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.

Actual Expenditures

Budgetary Financial Resources (dollars)

2014–15 Main Estimates	2014–15 Planned Spending	2014–15 Total Authorities Available for Use	2014–15 Actual Spending (authorities used)	Difference (actual minus planned)
750,000	750,000	738,790	516,310	(233,690)

Human Resources (Full-Time Equivalents [FTEs])

2014–15 Planned	2014–15 Actual	2014–15 Difference (actual minus planned)
4	3	(1)

Budgetary Performance Summary for Strategic Outcome(s) and Program(s) (dollars)

Strategic Outcome(s), Program(s) and Internal Services	2014–15 Main Estimates	2014–15 Planned Spending	2015–16 Planned Spending	2016–17 Planned Spending	2014–15 Total Authorities Available for Use	2014–15 Actual Spending (authorities used)	2013–14 Actual Spending (authorities used)	2012–13 Actual Spending (authorities used)
Strategic Outcome: The planning and construction of the Canadian portion of the AHGP Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.								
Program: Oversee the planning and construction of the Canadian portion of the AHGP Project.	750,000	750,000	750,775	750,655	738,790	516,310	1,172,624	1,920,142
Subtotal	750,000	750,000	750,775	750,655	738,790	516,310	1,172,624	1,920,142
Internal Services Subtotal	-	-	-	-	-	-	-	-
Total	750,000	750,000	750,775	750,655	738,790	516,310	1,172,624	1,920,142

In 2014-15, the Agency spent only $516,310 compared to the planned spending of $750,000. This reduction in spending since 2012-13 aligns with the reduction in the AHGP project activities while continuing to fulfill Canada's obligations under the Act.

Alignment of Spending With the Whole-of-Government Framework

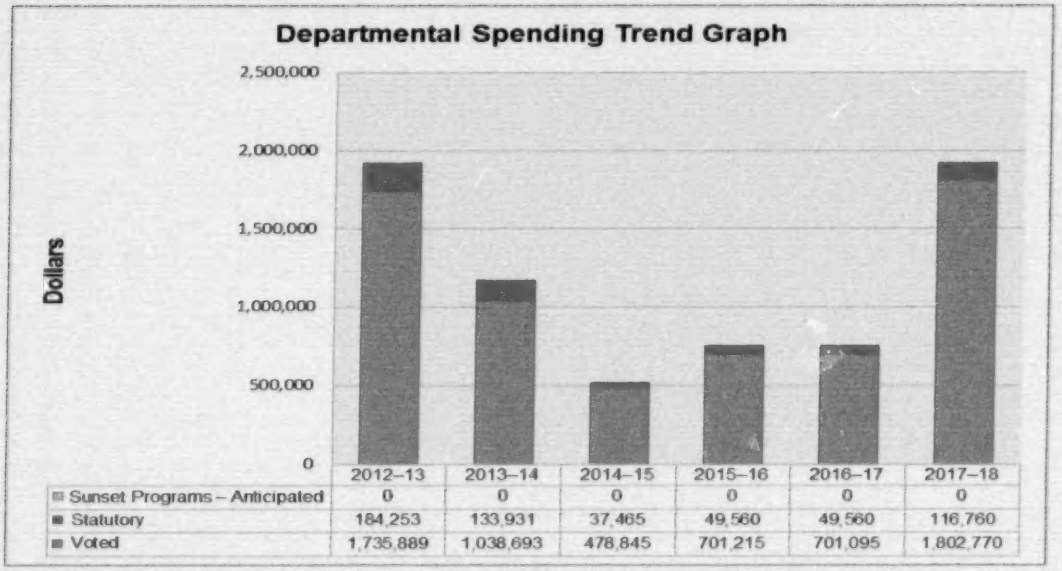
Alignment of 2014–15 Actual Spending With the Whole-of-Government Framework[ii] (dollars)

Strategic Outcome	Program	Spending Area	Government of Canada Outcome	2014–15 Actual Spending
The planning and construction of the Canadian portion of the AHGP Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.	Oversee the planning and construction of the Canadian portion of the AHGP Project.	Economic Affairs	Strong economic growth	516,310

Total Spending by Spending Area (dollars)

Spending Area	Total Planned Spending	Total Actual Spending
Economic Affairs	750,000	516,310
Social Affairs	-	-
International Affairs	-	-
Government Affairs	-	-

Departmental Spending Trend



	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18
Sunset Programs – Anticipated	0	0	0	0	0	0
Statutory	184,253	133,931	37,465	49,560	49,560	116,760
Voted	1,735,889	1,038,693	478,845	701,215	701,095	1,802,770

The Agency's actual spending has decreased each year between 2012-13 and 2014-15. This reduction in spending aligns with the reduction in the AHGP project activities while continuing to fulfill Canada's obligations under the Act. The Agency's forecasted spending for 2015-16 onwards reflects an increase in expenditures in the case of the project proceeding to construction; however, during this time of reduced activities for the foreseeable future, the Agency will continue to reduce its planned expenditures.

Expenditures by Vote

For information on the Agency's organizational Votes and statutory expenditures, consult the *Public Accounts of Canada 2014* [iii] on the *Public Works and Government Services Canada website.* [iv]

Section II: Analysis of Program(s) by Strategic Outcome

Strategic Outcome:

The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.

Performance Measurement

Performance Indicators	Targets	Actual Results
The Agency effectively plans for and responds to regulatory filings by Foothills and makes certain that the Act is properly administered.	Timely responses with consideration to the overall Project plans and schedules, continuing operations as mandated by the *Act*, and readiness to respond to various levels of project activity.	**Met all**: The Agency maintained a core level of resources throughout the reporting period to plan for the receipt of any regulatory filings. No regulatory filings were anticipated, nor received in 2014-15. The Agency maintained a core level of resources throughout the reporting period to properly administer the Act, and delivered on all mandatory legislative responsibilities including cost recovery matters and external reporting.

Performance Indicators	Targets	Actual Results
The Agency maintains an adequate level of resources to allow the Agency to sustain its plans and state of readiness in order to respond to project developments and maintain the appropriate level of engagement with other participants that would be involved in the planning and construction of Phase 2 of the pipeline project.	Adequate resources and capacity.	**Met all:** The Agency maintained an adequate core level of resources throughout the reporting period to sustain its plans and state of readiness. The Agency had a core level of three FTE resources and also received additional capacity in terms of various corporate and financial services through its Service Partnership Agreement with Natural Resources Canada. It also received legal services capacity through a service agreement with the Department of Justice.

Program:

Oversee the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.

Description:

Regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.

Budgetary Financial Resources (dollars)

2014–15 Main Estimates	2014–15 Planned Spending	2014–15 Total Authorities Available for Use	2014–15 Actual Spending (authorities used)	2014–15 Difference (actual minus planned)
750,000	750,000	738,790	516,310	(233,690)

Human Resources (Full-Time Equivalents [FTEs])

2014–15 Planned	2014–15 Actual	2014–15 Difference (actual minus planned)
4	3	(1)

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Oversee the planning and construction of the Canadian portion of the AHGP Project.	The Agency effectively plans for and responds to regulatory filings by Foothills and makes certain that the Act is properly administered.	Timely responses with consideration to the overall Project plans and schedules, continuing operations as mandated by the Act, and readiness to respond to various levels of project activity.	**Met all:**. The Agency maintained a core level of resources throughout the reporting period to plan for the receipt of any regulatory filings. No regulatory filings were anticipated, nor received in 2014-15. The Agency maintained a core level of resources throughout the reporting period to properly administer the Act, and delivered on all mandatory legislative responsibilities including cost recovery matters and external reporting.

Oversee the planning and construction of the Canadian portion of the AHGP Project.	The Agency maintains an adequate level of resources to allow the Agency to sustain its plans and state of readiness in order to respond to project developments and maintain the appropriate level of engagement with other participants that would be involved in the planning and construction of Phase 2 of the pipeline project.	Adequate resources and capacity.	**Met all:** The Agency maintained an adequate core level of resources throughout the reporting period to sustain its plans and state of readiness. The Agency had a core level of three FTE resources and also received additional capacity in terms of various corporate and financial services through its Service Partnership Agreement with Natural Resources Canada. It also received legal services capacity through a service agreement with the Department of Justice.

Performance Analysis and Lessons Learned

Since the Act came into force in 1978, the external environment has changed, specifically relating to environmental, economic and public policy. Some of the changes include new environmental legislation, devolution of some federal responsibilities to the Yukon government and the settlement of most Aboriginal land claims along the pipeline route in the Yukon.

To align with the reduction in the AHGP project activities in the 2014-15 fiscal year, the Agency scaled down its operations while continuing to fulfil Canada's obligations as set out in the Act. There are no lessons learned to report at this time.

Internal Services

Description

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; Acquisition Services; and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

Budgetary Financial Resources (dollars)

2014–15 Main Estimates	2014–15 Planned Spending	2014–15 Total Authorities Available for Use	2014–15 Actual Spending (authorities used)	2014–15 Difference (actual minus planned)
-	-	-	-	-

Human Resources (FTEs)

2014–15 Planned	2014–15 Actual	2014–15 Difference (actual minus planned)
-	-	-

Performance Analysis and Lessons Learned

The Agency did not incur any costs associated with Internal Services. As a smaller and separate federal entity, the Agency retained internal services from Natural Resources Canada through a Service Agreement. In addition, as the Agency has a single program, internal service expenditures were considered to be totally related to the delivery of that single program. There are no lessons learned to report at this time.

Section III: Supplementary Information

Financial Statements Highlights

Northern Pipeline Agency
For the Year Ended March 31, 2015
(dollars)

Financial Information	2014–15 Planned Results	2014–15 Actual	2013–14 Actual	Difference (2014–15 actual minus 2014–15 planned)	Difference (2014–15 actual minus 2013–14 actual)
Total expenses	758,481	520,606	1,175,083	(237,875)	(654,477)
Total revenues	0	0	0	0	0
Net cost of operations before government funding and transfers	758,481	520,606	1,175,083	(237,875)	(654,477)

Northern Pipeline Agency
As at March 31, 2015
(dollars)

Financial Information	2014–15	2013–14	Difference (2014–15 minus 2013–14)
Total net liabilities	59,976	50,474	9,502
Total net financial assets	41,876	28,993	12,883
Departmental net debt	18,100	21,481	(3,381)
Total non-financial assets	18,100	21,481	(3,381)
Departmental net financial position	0	0	0

Financial Statements

The Agency's Financial Statements can be found at the following URL:

http://npa.gc.ca/publications/147

Supplementary Information Tables

The supplementary information tables listed in the *2014–15 Departmental Performance Report* are available on the Agency's website.

- User Fees, Regulatory Charges and External Fees.

Tax Expenditures and Evaluations

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance Canada publishes cost estimates and projections for these measures annually in the *Tax Expenditures and Evaluations*[v] publication. The tax measures presented in the *Tax Expenditures and Evaluations* publication are the sole responsibility of the Minister of Finance.

Section IV: Organizational Contact Information

The Agency has been designated as a department for the purposes of the *Financial Administration Act*. The Agency currently reports to Parliament through the Minister of Natural Resources Canada, who is responsible for the management and direction of the Agency. The Agency has one senior officer, a Commissioner appointed by the Governor in Council. The Commissioner is currently the Deputy Minister of Natural Resources Canada. The Agency's organizational structure is defined by the Act.

The Agency's contact information is as follows:

Northern Pipeline Agency

412 - 615 Booth Street
Ottawa, ON K1A 0E9

Phone: (613) 995-1150

info@npa-apn.gc.ca

Appendix: Definitions

appropriation (*crédit*): Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

budgetary expenditures (*dépenses budgétaires*): Includes operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations.

Departmental Performance Report (*rapport ministériel sur le rendement*): Reports on an appropriated organization's actual accomplishments against the plans, priorities and expected results set out in the corresponding Report on Plans and Priorities. These reports are tabled in Parliament in the fall.

full-time equivalent (*équivalent temps plein*): Is a measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

Government of Canada outcomes (*résultats du gouvernement du Canada*): A set of 16 high-level objectives defined for the government as a whole, grouped in four spending areas: economic affairs, social affairs, international affairs and government affairs.

Management, Resources and Results Structure (*Structure de la gestion, des ressources et des résultats*): A comprehensive framework that consists of an organization's inventory of programs, resources, results, performance indicators and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the Strategic Outcome(s) to which they contribute. The Management, Resources and Results Structure is developed from the Program Alignment Architecture.

non-budgetary expenditures (*dépenses non budgétaires*): Includes net outlays and receipts related to loans, investments and advances, which change the composition of the financial assets of the Government of Canada.

performance (*rendement*): What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve and how well lessons learned have been identified.

performance indicator (*indicateur de rendement*): A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy or initiative respecting expected results.

performance reporting (*production de rapports sur le rendement*): The process of communicating evidence-based performance information. Performance reporting supports decision making, accountability and transparency.

planned spending (*dépenses prévues*): For Reports on Plans and Priorities (RPPs) and Departmental Performance Reports (DPRs), planned spending refers to those amounts that receive Treasury Board approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the Main Estimates.

A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their RPPs and DPRs.

plan (*plan*): The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

priorities (*priorité*): Plans or projects that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired Strategic Outcome(s).

program (*programme*): A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

Program Alignment Architecture (*architecture d'alignement des programmes*)**:** A structured inventory of an organization's programs depicting the hierarchical relationship between programs and the Strategic Outcome(s) to which they contribute.

Report on Plans and Priorities (*rapport sur les plans et les priorités*): Provides information on the plans and expected performance of appropriated organizations over a three-year period. These reports are tabled in Parliament each spring.

result (*résultat*): An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of a single organization, policy, program or initiative; instead they are within the area of the organization's influence.

statutory expenditures (*dépenses législatives*): Expenditures that Parliament has approved through legislation other than appropriation acts. The legislation sets out the purpose of the expenditures and the terms and conditions under which they may be made.

Strategic Outcome (*résultat stratégique*): A long-term and enduring benefit to Canadians that is linked to the organization's mandate, vision and core functions.

sunset program (*programme temporisé*): A time-limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level and duration.

target (*cible*): A measurable performance or success level that an organization, program or initiative plans to achieve within a specified time period. Targets can be either quantitative or qualitative.

voted expenditures (*dépenses votées*): Expenditures that Parliament approves annually through an Appropriation Act. The Vote wording becomes the governing conditions under which these expenditures may be made.

whole-of-government framework (*cadre pangouvernemental*): Maps the financial contributions of federal organizations receiving appropriations by aligning their Programs to a set of 16 government-wide, high-level outcome areas, grouped under four spending areas.

Endnotes

i. **Northern Pipeline Act**, http://laws-lois.justice.gc.ca/eng/acts/N-26/index.html

ii. **Whole-of-government framework**, http://www.tbs-sct.gc.ca/ppg-cpr/frame-cadre-eng.aspx

iii. **Public Accounts of Canada 2015**, http://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/index-eng.html

iv. **Public Works and Government Services Canada website**, http://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/index-eng.html

v. **Government of Canada Tax Expenditures**, http://www.fin.gc.ca/purl/taxexp-eng.asp